

**FINANCIAL STATEMENTS**

**The Westerner Exposition  
Association**

**MARCH 31, 2017**



**Westerner Park**

*Your  
destination for  
celebration!*™

## The Westerner Exposition Association

### STATEMENT OF FINANCIAL POSITION

As at MARCH 31, 2017

#### ASSETS

	2017	2016
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,545,789	\$ 2,029,228
Accounts receivable	801,306	932,331
Inventories	111,651	136,279
Prepaid expenses and deposits (Note 3)	276,717	294,829
	<b>3,735,463</b>	3,392,667
<b>WESTERNER PARK MAJOR MAINTENANCE FUND</b> (Note 4)	<b>885,885</b>	1,130,244
<b>CAPITAL ASSETS</b> (Note 5)	<b>37,080,994</b>	37,501,797
	<b>\$ 41,702,342</b>	\$ 42,024,708

#### LIABILITIES

##### CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 1,045,107	\$ 876,956
Government remittances payable	46,688	49,536
Deferred revenue and advances on future events (Note 6)	717,945	696,103
Current portion of long term debt (Note 7)	359,829	352,383
Current portion of obligation under capital lease (Note 8)	29,259	27,653
	<b>2,198,828</b>	2,002,631
Callable portion of long term debt (Note 7)	594,890	874,708
	<b>2,793,718</b>	2,877,339
Long-term debt (Note 7)	200,000	280,000
	<b>\$ 2,993,718</b>	\$ 3,157,339
<b>OBLIGATIONS UNDER CAPITAL LEASE</b> (Note 8)	<b>69,360</b>	98,619
<b>CAPITAL CONTRIBUTIONS</b> (Note 9)	<b>19,630,807</b>	20,842,340
	<b>19,700,167</b>	20,940,959
<b>SHARE CAPITAL</b> (Note 10)	<b>6,530</b>	6,520

#### NET ASSETS

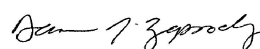
<b>NET INVESTMENT IN CAPITAL ASSETS</b>	<b>16,196,854</b>	15,026,097
<b>RESTRICTED NET ASSETS - WESTERNER PARK MAJOR MAINTENANCE FUND</b> (Note 4)	<b>885,885</b>	1,130,244
<b>UNRESTRICTED NET ASSETS</b>	<b>1,919,188</b>	1,763,549
	<b>19,001,927</b>	17,919,890
	<b>\$ 41,702,342</b>	\$ 42,024,708

On behalf of the Board:



Graham Heron

President



Damian Zapisocky Vice-President

See accompanying notes to the financial statements

## The Westerner Exposition Association

### STATEMENT OF OPERATIONS Year Ended MARCH 31, 2017

	2017	2016
<b>REVENUES</b>		
Events	\$ 6,998,529	\$ 6,192,117
Rentals of facilities	4,837,533	4,555,586
Commissions	327,845	315,474
Investment income	29,412	25,491
Miscellaneous	45,313	11,985
	<b>12,238,632</b>	<b>11,100,653</b>
<b>EXPENSES</b>		
Events	5,034,639	4,443,457
Administrative and grounds - Schedule 1	5,848,594	5,219,795
	<b>10,883,233</b>	<b>9,663,252</b>
<b>EXCESS REVENUES OVER EXPENSES BEFORE GRANTS</b>	<b>1,355,399</b>	<b>1,437,401</b>
<b>GRANTS</b>		
Operating grants	106,707	100,000
Alberta Lottery Fund (Note 12)	298,853	298,852
	<b>405,560</b>	<b>398,852</b>
<b>EXCESS REVENUES OVER EXPENSES BEFORE AMORTIZATION</b>	<b>1,760,959</b>	<b>1,836,253</b>
<b>AMORTIZATION OF CAPITAL ASSETS</b>	<b>(1,956,255)</b>	<b>(1,922,210)</b>
<b>AMORTIZATION OF CAPITAL CONTRIBUTIONS (Note 9)</b>	<b>1,277,333</b>	<b>1,275,688</b>
	<b>(678,922)</b>	<b>(646,522)</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 1,082,037</b>	<b>\$ 1,189,731</b>

See accompanying notes to the financial statements

## The Westerner Exposition Association

### STATEMENT OF CHANGES IN NET ASSETS Year Ended MARCH 31, 2017

#### 2017

	Investment In Capital Assets	Major Maintenance Fund	Unrestricted Net Assets	Total
Balance, beginning of year	\$ 15,026,097	\$ 1,130,244	\$ 1,763,549	\$ 17,919,890
Excess of revenues over expenses	-	-	1,082,037	1,082,037
Amortization expense, net	(678,922)	-	678,922	-
Investment in capital assets, net	1,559,332	-	(1,559,332)	-
Net book value of disposed capital assets	(23,879)	-	23,879	-
Repayments of long term debt	352,373	-	(352,373)	-
Transferred to internally imposed restrictions	-	446,861	(446,861)	-
Transfer from internally imposed restrictions	-	(691,220)	691,220	-
Capital lease repayments	27,653	-	(27,653)	-
Capital contributions received	(65,800)	-	65,800	-
Balance, end of year	\$ 16,196,854	\$ 885,885	\$ 1,919,188	\$ 19,001,927

#### 2016

	Investment In Capital Assets	Major Maintenance Fund	Unrestricted Net Assets	Total
Balance, beginning of year	\$ 14,272,064	\$ 1,000,000	\$ 1,458,095	\$ 16,730,159
Excess of revenues over expenses	-	-	1,189,731	1,189,731
Amortization expense, net	(646,522)	-	646,522	-
Investment in capital assets, net	1,549,493	-	(1,549,493)	-
Net book value of disposed capital assets	(2,100)	-	2,100	-
Repayments of long term debt	304,434	-	(304,434)	-
Long term debt for capital assets	(200,000)	-	200,000	-
Transferred to internally imposed restrictions	-	550,241	(550,241)	-
Transfer from internally imposed restrictions	-	(419,997)	419,997	-
Capital lease acquisition	(148,853)	-	148,853	-
Capital lease repayments	22,581	-	(22,581)	-
Capital contributions received	(125,000)	-	125,000	-
Balance, end of year	\$ 15,026,097	\$ 1,130,244	\$ 1,763,549	\$ 17,919,890

See accompanying notes to the financial statements

## The Westerner Exposition Association

### STATEMENT OF CASH FLOWS Year Ended MARCH 31, 2017

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 1,082,037	\$ 1,189,731
Add (deduct) non-cash items:		
Loss on disposal of capital assets	6,379	2,100
Amortization of capital assets	1,956,255	1,922,210
Amortization of capital contributions	(1,277,333)	(1,275,688)
	<b>1,767,338</b>	<b>1,838,353</b>
Net changes in non-cash working capital:		
Accounts receivable	131,025	(20,779)
Inventories	24,628	(35,560)
Prepaid expenses and deposits	18,112	67,844
Accounts payable and accrued liabilities	50,138	(214,753)
Government remittances payable	(2,848)	(1,092)
Deferred revenue and advances on future events	21,843	(70,402)
Net cash generated through operating activities	<b>2,010,236</b>	<b>1,563,611</b>
<b>INVESTING ACTIVITIES</b>		
Transfer to internally imposed restrictions	244,359	(130,244)
Capital contributions received	65,800	125,000
Purchase of capital assets	(1,441,318)	(1,367,245)
Proceeds on disposal of capital assets	17,500	-
Net cash used in investing activities	<b>(1,113,659)</b>	<b>(1,372,489)</b>
<b>FINANCING ACTIVITIES</b>		
Share capital issued	10	30
Proceeds on long term debt	-	200,000
Capital lease repayments	(27,653)	(22,581)
Repayment of long term debt	(352,373)	(304,434)
Net cash generated through (used) in financing activities	<b>(380,016)</b>	<b>(126,985)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>516,561</b>	<b>64,137</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,029,228</b>	<b>1,965,091</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 2,545,789</b>	<b>\$ 2,029,228</b>

#### NON-CASH TRANSACTIONS (Note 16)

See accompanying notes to the financial statements

# The Westerner Exposition Association

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

### 1. PURPOSE OF THE ORGANIZATION

The Association is incorporated under The Alberta Business Corporation Act as a not-for-profit organization and in 2009 adopted the following mission statement:

"Westerner Park will provide premier facilities and services for trade, agriculture, sports and entertainment, conferences and meetings, generating economic benefits for Central Alberta."

The Association is exempt from income taxes and is a registered charity under the Canadian Income Tax Act. The directors of the Association are elected volunteers who cannot be paid in any form for their services under the By-Laws of the organization. The shareholders of the Association, who are also volunteers, cannot receive any dividends, nor can shares appreciate in value. Shares cannot be sold or held by persons permanently residing outside of the Province of Alberta, nor in estates of deceased shareholders.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook* and include the following significant accounting policies:

#### **Cash and Cash Equivalents**

The policy of the Association is to disclose floats, petty cash and cash held in bank accounts as cash and cash equivalents.

#### **Capital Assets**

Capital assets are recorded at cost or market value if donated. Amortization is based on the estimated useful life of each asset using the straight line method. Amortization rates are as follows:

Plant facility	2.5% (40 years)
Equipment and vehicles	10.00% (10 years)

#### **Assets under Capital Lease**

Assets under capital leases are accounted for at cost. Amortization is based on their estimated useful lives using the following rates:

Equipment	10.00% (10 years)
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#### **Contributed Services**

A substantial number of unpaid volunteers make significant contributions of their time in developing and carrying out the Association's programs. The value of this contributed time is not reflected in these financial statements since objective measurement or valuation is indeterminable.

#### **Estimates**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used when accounting for items and matters such as allowance for doubtful accounts, inventory obsolescence, estimated useful life of capital assets, accrued liabilities, contingencies and commitments.

#### **Financial Instruments**

##### Measurement of financial instruments

The Association initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Association subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable and the Westerner Park Major Maintenance Fund.

Financial liabilities measured at amortized cost include accounts payable, accrued liabilities, government remittances payable and long term debt.

## The Westerner Exposition Association

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2017

#### Financial Instruments (Cont'd)

The Association does not currently hold any financial assets measured at fair value.

#### **Inventories**

Inventories are valued at the lower of cost and net realizable value, cost being determined using the first-in, first-out method. Any previous inventory write-downs will be reversed if economic circumstances have changed to support an increased inventory value.

#### **Investments**

The Association's investment in Agri-Trade and Red Deer Chamber partnerships, in which it has significant influence, is accounted for by the equity method.

#### **Deferred Revenue and Advances on Future Events**

Deferred revenue consists of advertising and sky suites paid in advance. The Association recognizes revenue over the term of the agreement.

Advances on future events represents funds received in advance for events such as conventions, trade show facilities, and building and ice rental. Revenue for such events is included in revenue in the period in which the event takes place.

#### **Grants and Contributions**

Grants and contributions designated for capital purposes, including the acquisition of capital assets for expansion and construction of facilities or retirement of capital debt, are credited to "Capital Contributions" and amortized into income each year on the same basis as amortization is provided on the related capital assets.

#### **Revenue Recognition**

The Association follows the deferral method of accounting for revenues. Restricted revenues are recognized into revenue in the year in which the related expenses are incurred. This includes any externally restricted donations or restricted grants.

Unrestricted revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. This includes: event revenues, rental of facilities, food and beverage sales, non-restricted operating grants, lottery fund grant, unrestricted donations and investment income.

Externally restricted investment income is recognized as direct increases in restricted capital contributions. Internally restricted investment income is recognized as revenue in the year in which it is earned. Unrestricted investment income is recognized as revenue when earned.

### 3. PREPAID EXPENSES AND DEPOSITS

	2017	2016
Insurance and licenses	\$ 121,914	\$ 116,784
Other	154,761	178,002
Site lease	<u>42</u>	<u>43</u>
	<u>\$ 276,717</u>	<u>\$ 294,829</u>

The Association's facilities are located on land owned by the City of Red Deer. The lease agreement with the City of Red Deer calls for clear annual rent of \$1 and expires on May 31, 2059. The Association has paid the full rental for the term of the lease.

## The Westerner Exposition Association

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2017

#### 4. WESTERNER PARK MAJOR MAINTENANCE FUND

The Major Maintenance Fund has been established for the purpose of financing future long term maintenance needs in relation to the Association's facilities. The total amount in the "Major Maintenance Fund" is \$885,885 (2016 - \$1,130,244). Interest earned on internally restricted funds has been designated to be used in operations. The reserve is fully funded in a segregated bank account.

#### 5. CAPITAL ASSETS

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Capital under construction	\$ 193,858	\$ -	\$ 193,858	\$ 150,424
Plant facility	67,082,713	31,790,995	35,291,718	35,913,619
Equipment and vehicles	6,171,275	4,702,382	1,468,893	1,296,343
	<u>73,447,846</u>	<u>36,493,377</u>	<u>36,954,469</u>	<u>37,360,386</u>
Assets under capital lease:				
Equipment	148,853	22,328	126,525	141,411
	<u>\$ 73,596,699</u>	<u>\$ 36,515,705</u>	<u>\$ 37,080,994</u>	<u>\$ 37,501,797</u>

#### 6. DEFERRED REVENUE AND ADVANCES ON FUTURE EVENTS

	2017	2016
Deferred revenue	\$ 434,750	\$ 385,942
Advances on future events	283,195	310,161
	<u>\$ 717,945</u>	<u>\$ 696,103</u>

#### 7. LONG TERM DEBT

	2017	2016
The ATB loan is repayable in monthly installments of \$25,000 including interest at the bank's prime lending rate per annum with an effective interest rate of 2.70% (2016 - 2.70%). The loan is secured by a general security agreement and matures June 2021.	\$ 874,719	\$ 1,147,091
The Red Deer Rebels loan is repayable in annual installments of \$40,000 at 0.00% interest and matures April 2020.	120,000	160,000
The Red Deer Rebels loan is repayable in annual installments of \$40,000 beginning July 2016 at 0.00% interest and matures June 2021.	160,000	200,000
	<u>1,154,719</u>	<u>1,507,091</u>
Less current portion of long term debt	359,829	352,383
Less callable portion of long term debt	594,890	874,708
	<u>\$ 200,000</u>	<u>\$ 280,000</u>

Although the bank loan is of a demand nature, management does not believe that the demand feature will be exercised. Accordingly, the scheduled principal repayments on the long term debt are as follows:

2018	\$ 359,829
2019	367,478
2020	375,337
2021	52,075
	<u>\$ 1,154,719</u>

The Association was in compliance with all financial covenants at year end.



## The Westerner Exposition Association

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2017

#### 8. OBLIGATIONS UNDER CAPITAL LEASE

The Association has entered into two capital leases with monthly payments of \$2,258 and \$583 including interest rates of 5.9% per annum and 4.7% per annum respectively. The leases expire in May 2021. The principal and interest payments for the next five years are as follow:

Year Ending	Principal	Interest	Total
2018	29,259	4,833	34,092
2019	30,959	3,133	34,092
2020	32,759	1,333	34,092
2021	<u>5,642</u>	<u>40</u>	<u>5,682</u>
	<u>98,619</u>	<u>9,339</u>	<u>107,958</u>
Less Current Portion	<u>(29,259)</u>	<u>(4,833)</u>	<u>(34,092)</u>
	<u>\$ 69,360</u>	<u>\$ 4,506</u>	<u>\$ 73,866</u>

#### 9. CAPITAL CONTRIBUTIONS

	2017		2016	
	<u>Gross Capital Contributions</u>	<u>Accumulated Amortization</u>	<u>Net Capital Contributions</u>	<u>Net Capital Contributions</u>
Capital Contributions	<u>\$ 51,093,302</u>	<u>\$ 31,462,495</u>	<u>\$ 19,630,807</u>	<u>\$ 20,842,340</u>

The Association has amortized capital contributions and recorded \$1,277,333 (2016 - \$1,275,688) into the current year's statement of operations. During the year, \$65,800 (2016 - \$125,000) of capital contributions were added from the externally restricted government contributions.

#### 10. SHARE CAPITAL

	Quantity		Amount	
	2017	2016	2017	2016
Authorized - 50,000 shares without par value, maximum consideration per share \$50				
Issued -				
Balance, beginning of year	<u>652</u>	649	<u>\$ 6,520</u>	\$ 6,490
Issued, during year	<u>1</u>	<u>3</u>	<u>10</u>	<u>30</u>
Balance, end of year	<u><u>653</u></u>	<u><u>652</u></u>	<u><u>\$ 6,530</u></u>	<u><u>\$ 6,520</u></u>

#### 11. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations at March 31, 2017:

##### **Credit Risk**

The Association, in the normal course of operations, monitors the financial condition of its customers. The Association establishes an allowance for doubtful accounts that corresponds to the credit risk of its specific customers, historical trends or economic circumstances. The Association does not believe it is exposed to an unusual level of credit risk.

##### **Market Risk**

Market risk is the risk that the fair value and future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Association is mainly exposed to interest rate risk.

##### **Interest Rate Risk**

The Association is exposed to interest rate risk on debt instruments to the extent of changes in the prime interest rate.

## The Westerner Exposition Association

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2017

#### 12. ALBERTA LOTTERY FUND

The Association received funding from the Alberta Lottery Fund in accordance with the terms of an agreement with the Minister responsible for the Alberta Gaming and Liquor Commission. Under the current funding agreement, which became effective April 1, 2016 and expires on March 31, 2017, the Association received and recorded \$298,853 (2016 - \$298,852) in funding. Current Board policy is that these lottery funds be expended exclusively for capital projects (see schedule 2).

#### 13. AGRI-TRADE PARTNERSHIP

The Association received \$191,575 (2016 - \$183,423) in facility rentals and services from the partnership of which it is a member. The Association's share of income of the partnership of \$507,025 (2016 - \$507,279) is also included in rental of facilities. The equity investment of the Association's 50% interest in the partnership of \$2,500 (2016 - \$2,500) has been included as part of accounts receivable in the financial statements.

#### 14. RED DEER & DISTRICT CHAMBER OF COMMERCE PARTNERSHIP

The Association has entered into an arrangement for the development of two new shows with the Red Deer Chamber of Commerce. The equity investment of the Association's 50% interest in the partnership of \$37,000 (2016 - \$37,000) has been included as part of accounts receivable in the financial statements.

#### 15. RELATED PARTY TRANSACTIONS

During the year, the Association entered into transactions with members of the Board of Directors and shareholders. These amounts are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

#### 16. NON-CASH TRANSACTIONS

During the year, capital assets were acquired at an aggregate cost of \$1,559,332 (2016 - \$1,549,493), of which \$155,141 (2016 - \$37,126) remains in accounts payable at year end. Cash of \$1,441,318 (2016 - \$1,367,245) was paid to purchase the capital assets.

## The Westerner Exposition Association

### SCHEDULE OF ADMINISTRATIVE AND GROUNDS EXPENSES YEAR ENDED MARCH 31, 2017

	2017	2016
Advertising and co-sponsorships	\$ 98,975	\$ 89,855
Equipment rental	40,176	31,159
Fuel and oil	40,585	40,115
Garbage disposal	33,517	31,395
Insurance, licenses and dues	157,321	142,352
Interest and bank charges	27,558	17,987
Interest on long term debt	27,627	35,566
Meetings and receptions	115,791	58,857
Miscellaneous	56,563	33,901
Printing, stationery and postage	41,166	36,019
Professional fees	186,876	94,553
Repairs and maintenance	733,372	656,078
Salaries, wages and benefits	3,383,252	3,090,510
Supplies	44,225	35,785
Telephone	34,113	35,238
Travel	9,961	13,349
Utilities	817,516	777,076
	<b>\$ 5,848,594</b>	<b>\$ 5,219,795</b>

## The Westerner Exposition Association

### SCHEDULE OF FACILITY IMPROVEMENTS YEAR ENDED MARCH 31, 2017

	2017	2016
<b>FACILITY IMPROVEMENTS</b>		
Centrium and Parkland Pavilion	\$ 942,787	\$ 1,033,742
Prairie and Stockmen's Pavilion	13,616	18,105
Paving and curbing	18,864	-
Grounds	43,370	12,783
Agri-centre	18,179	19,745
Other buildings	186	-
	<b>1,037,002</b>	<b>1,084,375</b>
<b>EQUIPMENT</b>		
Plant	378,229	29,152
Automotive	34,430	48,000
Concession	44,412	75,880
Office	21,825	161,662
	<b>478,896</b>	<b>314,694</b>
<b>CAPITAL ASSETS UNDER CONSTRUCTION</b>		
Capital assets under construction	43,434	150,424
	<b>\$ 1,559,332</b>	<b>\$ 1,549,493</b>
<b>FUNDING OF FACILITY IMPROVEMENTS</b>		
Alberta Lottery Fund (Note 12)	\$ 298,853	\$ 298,852
Community Facility Enhancement Program	55,800	125,000
Capital contributions	10,000	-
Operating funds	503,459	505,644
Major Maintenance Fund	691,220	419,997
Long term debt	-	200,000
	<b>\$ 1,559,332</b>	<b>\$ 1,549,493</b>